

# The Business Plan

## What is a Business Plan?

The Business Plan is a clearly written analysis of your company. It explains the industry in which you compete, your company's goals & objectives, and your plan to meet these goals.

Why write a Business Plan?

- 1. A Business Plan can help you obtain financing.**
- 2. A Business Plan organizes and formalizes your business thinking process.**
- 3. A Business Plan is a management tool that allows you to measure your success and assess whether you are meeting your goals.**

## How long should the Business Plan be?

The shorter the better It is important to be as realistic and detailed as possible without being overly repetitious. A concise plan will be much more effective and yield better results.

## What financial information do I need to include?

You should obtain and be prepared to reference:

1. Your past three income tax returns \*
2. An interim income statement and balance sheet (less than 2 months old).
3. Copies of any existing loans or notes.
4. Three year projections for balance sheet, income, and cash flow statements.
5. Personal net worth statement.

## What topics are covered by the Business Plan?

Cover sheet

• Table of Contents

Executive Summary

1. Statement of Purpose
2. Business Description
3. Company History
4. Products and Services
5. Market Analysis Supporting documentation
6. Management and Operations
7. Financial Analysis and Projections
8. Time Table

\*A start-up business owner should obtain copies of his/her personal income statements. This is especially helpful when applying for a loan.

**Note:** Each topic is discussed in order on the following pages except for the bullets (.) which are discussed last. This outline is a set of guidelines for you to follow in developing your business plan. Some questions may not apply to your particular business. Spend some time thinking about what each section is trying to highlight, and base your narrative on how your particular company operates.

## Statement of Purpose

This paragraph outlines your reason for putting the Business Plan together. It is a brief statement that describes your business, and your reason for writing the Business Plan. If money is the reason for writing the plan, explain how much money is needed, what is the money needed for, sources of funding, expected payback terms, and how the money will be repaid.

## Business Description

This section briefly describes your business. Cover the following topics:

- **Legal structure, i.e. Sole proprietorship, Partnership, Corp., S.Corp etc.**
- **Product and/or services and potential customers.**
- **The basic business operation, location and facility.**

## Company History

Highlight the background of your business, how it started and how it evolved over time. Answer who, what, where, why, when, and how, about your company's history. This section should include:

- **The names of owners and/or major stock holders.**
- **Company location.**
- **Location of your facility and whether you own or lease. Description of whether your facility has land, building, and/or equipment**
- **Number of employees.**
- **Customer's background and description.**
- **Your niche in the marketplace (what makes you unique), and what rate of growth you have been experiencing.**
- **Mention any awards or accomplishments of business achievement the company has received.**

(If this is a new business, discuss the industry's history and why you are starting this business)

## Products and Services

Describe in detail the product line and services offered by your company. Outline the need for your product or service and how your offering is unique.

- **List any patents or product innovations that make your company different from competitors.**
- **If you plan to introduce new products, describe them and mention when they will be introduced into the market.**
- **Discuss any additional uses or movement into additional markets your products might have.**
- **Product packaging.**
- **Product servicing.**

Include photographs, samples, or illustrations as part of your supporting documentation.

# Market Analysis

The purpose of this section is to discuss the overall market (environment/industry) which your firm will be a part of and how it will affect your business. Do not get too detailed when discussing your marketing techniques. It will be covered in detail in the next section.

## Customers (market)

Target your market. Remember you cannot be everything to everyone. Be specific. A good profile of your customers will help you better define your market, target a place of expertise within that market, and get an idea of the sales and profit potential.

- **Describe your customers, consumers, retailers, manufacturers, etc.**
- **What are they like?**
  - Consumers - age, sex, education, lifestyle and spending habits**
  - Industry - Use standard industrial classifications and detail the segment you intend to capture.**
- **What are their needs (long and short term)?**
- **How will your product or service fill these needs?**
- **What is the present market size, potential size and percentage you expect to capture?**
- **How sensitive are they to price or brand changes?**
- **What economic, social, technological or legal issues are currently affecting or are anticipated to affect your business (in either a positive or negative manner)?**

## Competition

List and describe your competitors, answering the following questions:

- **How does your product or service compare with competitors in price, service, location, etc?**
- **What is the market share and potential of each competitor?**
- **What is their reputation and image in the market?**

Discuss the advantages and disadvantages of each firm, their related products/services and marketing techniques. Address how your firm will respond to the competition and changes in the market, and how you will differentiate yourself from the competition in order to gain market share.

## Marketing Strategy

Explain how your market should be segmented and how you will sell and deliver your product or service and why your customers will buy from you.

- **Identify your target markets and perhaps a special niche.**
- **Estimate the % you expect to capture and relate that to sales.**
- **Discuss pricing strategy and policy for your product or service. Show how this strategy will make a profit, penetrate and maintain market share.**
- **Describe your sales plan. Discuss method of distribution (i.e. sales staff, distributors, direct mail etc.).**
- **Discuss your promotion plans.**

# Management and Operations

## Management

This section describes the structure and key management team members, function of each position, strengths (background), and the decision making process.

- **Give a brief overview of upper management and their responsibilities, involvement in the day-to-day operations, and how many employees they oversee.**
- **List key personnel (i.e. decision makers), and give a brief description of their job description, qualifications, and salary.**
- **Discuss the company's compensation/benefit programs (i.e. profit sharing), who will be allowed to participate, and to what degree.**

As part of your supporting documentation, include an organization chart which explains the various layers of management. You should also attach resumes for your key personnel to justify their expertise.

## Operations

Describe how you plan to perform your service, manufacture or sell your products.

- **Discuss your location and the proximity of labor, supplies, and customers.**
- **Describe your present facilities and equipment, whether they are leased or purchased and needs for the future.**
- **If you are a manufacturer, describe the manufacturing process, including production, quality control, breakdown of costs, etc.**
- **If you are relying on a main supplier, discuss the advantages/disadvantages of such an arrangement and the lead time for receiving supplies and quantity discounts.**
- **Describe your personnel needs, skills and costs.**

## Financial Analysis and Projections

This section is one of the most important sections of the Business Plan. You must base your facts and figures on historical and/or industry information in order for your projections to be accurate.

The questions loan officers will ask are:

- 1. Can you repay the loan?**
- 2. Are you a good risk?**
- 3. What do you have for collateral?**

If you are a start-up or new business, it is understood that your financial history is somewhat limited. In such a case, it becomes even more important that you research the industry and use those industry figures as a base for your projections. BE CONSERVATIVE.

The key is to obtain realistic estimates for expenses, equipment, sales, etc. so that your projections are as accurate as possible. You must be able to prove that you will be able to repay your loan and turn a profit within a reasonable amount of time.

This section should be clearly written so that anyone (from the loan officer to a potential investor) can fully understand how your figures were derived.

- **You will be expected to provide three years of historical financial data; business income tax returns, as well as interim income statement and balance sheet (less than 2 months old).**

- **New or start-up business owners should obtain copies of their personal income tax returns for the past three years and do a personal net worth statement.**
- **Create projected income, cash flow, and balance sheets for a three year time frame. The figures used should reflect any historical or industry data, trends, or expected innovation. (See following formats)**
- **A list of assumptions should accompany your financial statements to clarify your data and answer any questions that may arise.**
- **If you are seeking a loan, a summary of how you plan to use the funds should accompany your financial statements. (See “Use of Funds” format)**
- **Create realistic bench-marks (points of significant accomplishment) and discuss how your success should be viewed/measured**

## Time Table

You should create a schedule that lists, in a logical manner, your goals, and the steps that must be taken in order to accomplish these goals. Think of this guide as a shopping list or ‘things to do’ list that will help you build your business and make it strong. The schedule should be based on the information in your business plan, especially the financial section. Creating a realistic time frame for accomplishments will help ensure that your deadlines are met, and reinforces (in the lender’s eyes) your competency as a manager.

# Other Information

## A. Cover Sheet

Your cover sheet should include the name of your company, its address, telephone number, and a list of the principals or major stockholders.

## B. Table of Contents

This should be an easy-to-read but very detailed page that references each section of your document. That includes every piece of supporting data; charts and graphs, magazine articles, pictures, historical financials, etc.

## C. Executive Summary

The executive summary captures and presents the substance of the entire business plan. This section must be able to stand on its own because in actuality it may be the only section read by potential investors or lenders.

While this section appears in the beginning of the plan, it should be prepared the last. It should be a factual summary of the entire plan, written in such a way that it attracts immediate interest. It should focus on all or most functional areas including product, marketing plan, operation plan, and financial plan. The objective is to communicate only the basic thoughts and highlights of each.

## D. Supporting Documentation

This section is an appendix that should include documents that 'back up' your case and support the assumptions made by the business plan. Each document should be cross-referenced to the narrative portion of your plan. The narrative portion should contain a reference phrase such as See Appendix page A3 for more details, and the Appendix portion should say Referred from page 3.

Pertinent supporting documents include:

- **All Patents, Permits, Licenses, or Certificates.**
- **Real Estate Appraisals; the banks look for an appraisal less than 6 months old when determining the fair market value of your property as collateral.**
- **Market or industry statistics, and magazine/newspaper articles that support your claims.** ▪ ▪
- **Marketing materials including your business card, brochures or advertisements, advertising rate cards, or an advertising schedule (which breaks-out on a monthly basis where you are advertising, how many times, and at what cost).**
- **Resumes of key personnel; officers, executives, managers, or primary decision makers.**
- **List of stockholders and stock plans/options.**
- **Product line brochure or pictures of products/services.**
- **Lease agreement or estimates.**
- **Letters of reference or letters of intent to do business.**
- **List of key suppliers and any letters of intent to extend credit. Estimates on equipment and machinery.**
- **Insurance estimates.**